

**BUY** AB Capital

Your success is our success

**Strong show amid noise around lower-ticket unsecured retail loans**BFSI - NBFCs ▶ Result Update ▶ **November 5, 2023****TARGET PRICE (Rs) : 225**

**ABCAP registered a sturdy performance in Q2FY24, with the lending business delivering robust loan-book/profitability growth, asset quality seeing slight improvement and the non-lending business witnessing a steady performance. The company sees its smaller ticket unsecured retail-loan portfolio holding up per expectations, and maintains its continuous monitoring and calibration of growth, interest rate and payouts to partners, in sync with emerging asset-quality trends. With Company's abiding investment journey on the tech front, building an omni-channel distribution network and realizing its synergies with the AB Group ecosystem, the management preserves an optimistic outlook. Given the Q2FY24 performance and positive growth outlook, we keep our FY24-26 estimates unchanged and reiterate our BUY rating on the stock, with an unchanged Sep-24E TP of Rs 225/share.**

**AB Capital: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net profit	17,060	47,958	28,405	36,099	43,721
Adjusted PAT	15,100	20,567	28,405	36,099	43,721
Networth	154,921	203,108	260,769	296,868	340,589
RoE (%)	10.3	11.5	12.2	12.9	13.7
Lending Book growth (%)	10.3	41.1	25.4	20.3	18.3
Adj. EPS (Rs)	6.2	8.5	11.1	13.9	16.9
Adj. EPS growth (%)	33.8	36.1	31.0	24.9	21.1
Adj. BV (Rs)	64.1	84.1	100.5	114.5	131.3
Adj. BVPS growth (%)	12.7	31.1	19.6	13.8	14.7
ABFL RoA (%)	2.2	2.3	2.5	2.6	2.6
ABFL RoE (%)	12.1	14.7	16.9	17.0	17.3
P/E (x)	27.7	20.3	15.5	12.4	10.3
P/ABV (x)	2.7	2.1	1.7	1.5	1.3

Source: Company, Emkay Research

**Delivers another strong quarter of growth and profitability**

The NBFC business saw a robust 44% YoY AUM growth and 32% YoY disbursement growth. While NIM marginally dipped on sequential basis to 6.87%, RoA stood at 2.51% for Q2FY24. Given the rising unsecured loans, write-off at Rs3.7bn for Q2 stayed high, but credit cost at 1.59% was just a minor increase QoQ. The HFC business saw steady AUM growth of 24% YoY and 6% QoQ, whereas NIM came in at 4.88%, translating into an improved RoA of 2.03%. The Life Insurance business saw 13% YoY growth in Individual APE during H1FY24, whereas VNB margin logged an improvement to 14.2%. The Health Insurance business saw ~23% growth in gross premiums, and H1 combined ratio at 119% (up 7ppts). The AMC business saw 5% QoQ growth in AUM to Rs3,109bn; however, PAT declined 4% QoQ to Rs1.8bn. ABCAP reported an overall healthy performance, with consolidated revenue growing 22% YoY/8% QoQ to Rs88.3bn, while PAT grew 44% YoY/9% QoQ to Rs7.05bn during Q2FY24 (Exhibit 1).

**Continuous investments in tech and distribution**

ABCAP continues to invest in technology and building an omni channel distribution network. Further synergies with the ABG ecosystem are expected to fire the loan-book growth over the next few years. While the management has calibrated the growth in the small-ticket unsecured loan segment, various initiatives including the UDYOG Plus and the B2C platform are expected to fuel the growth momentum for the lending business, leading to the company achieving its guidance of doubling the loan book every 3 years. Given its widespread distribution network and the Aditya Birla brand, the Life and Health Insurance businesses are expected to clock better-than-industry growth going forward.

**We reiterate BUY, with unchanged Sep-24E target price of Rs225/share**

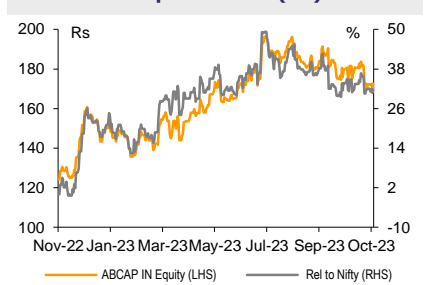
Against the backdrop of an in-line Q2FY24 performance, we have kept our FY24-26 estimates unchanged and reiterate our BUY rating on the stock, with an unchanged Sep-24E SOTP-based TP of Rs225/share (FY25E P/B of 2x for ABFL and 1.8x for ABHFL). With the lending businesses firing up, ABCAP is well positioned; however, the broader sector concern around low-ticket unsecured retail loans is likely to weigh on the share price in the near term (Exhibit 2).

Target Price – 12M	Sep-24
<b>Change in TP (%)</b>	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	30.0
CMP (03-Nov-23) (Rs)	173.1

Stock Data	Ticker
52-week High (Rs)	199
52-week Low (Rs)	116
Shares outstanding (mn)	2,599.4
Market-cap (Rs bn)	450
Market-cap (USD mn)	5,403
Net-debt, FY24E (Rs mn)	0
ADTV-3M (mn shares)	4
ADTV-3M (Rs mn)	690.0
ADTV-3M (USD mn)	8.3
Free float (%)	-
Nifty-50	19,231
INR/USD	83.3
<b>Shareholding, Sep-23</b>	
Promoters (%)	69.0
FPIs/MFs (%)	10.5/9.1

**Price Performance**

(%)	1M	3M	12M
Absolute	(4.2)	(10.4)	44.6
Rel. to Nifty	(2.7)	(9.7)	35.7

**1-Year share price trend (Rs)****Avinash Singh**

avinash.singh@emkayglobal.com  
+91 22 6612 1327

**Mahek Shah**

mahek.shah@emkayglobal.com  
+91 22 6612 1218

**Exhibit 1: Quarterly Financial Performance**

	Q2FY24	Q2FY23	YoY	Q1FY24	QoQ
<b>Aditya Birla Capital (Consolidated)</b>					
Consolidated Revenue (Rs mn)	88,310	72,100	22%	81,440	8%
Consolidated PAT (Rs mn)	7,050	4,880	44%	6,488	9%
Lending Book (Rs mn)	10,89,610	7,74,300	41%	10,04,000	9%
Gross Premium (Rs mn)	45,110	43,930	3%	38,770	16%
Total AUM (Rs bn)	4,044	3,600	12%	3,900	4%
<b>Aditya Birla Finance</b>					
Lending Book (Rs mn)	9,35,220	6,49,750	44%	8,58,910	9%
Net Interest Margin (%)	6.87	6.58	0.3ppts	6.98	-0.1ppts
Net Interest Income (Rs mn)	15,200	9,980	52%	14,330	6%
Credit Provisioning (%)	1.59	1.32	0.3ppts	1.51	0.1ppts
Profit After Tax (Rs mn)	5,480	3,580	53%	5,160	6%
Return On Asset (%)	2.51	2.40	0.1ppts	2.54	0.0ppts
Return On Equity (%)	18.0	14.7	3.3ppts	17.9	0.1ppts
<b>Aditya Housing Finance</b>					
Lending Book (Rs mn)	1,54,390	1,24,550	24%	1,45,090	6%
Net Interest Margin (%)	4.88	5.13	-0.3ppts	5.11	-0.2ppts
Credit Provisioning (%)	0.03	0.67	-0.6ppts	0.15	-0.1ppts
Profit After Tax (Rs mn)	750	590	27%	650	15%
Return On Asset (%)	2.03	1.94	0.1ppts	1.90	0.1ppts
Return On Equity (%)	14.50	13.87	0.6ppts	13.23	1.3ppts
<b>Aditya Birla Sun Life AMC</b>					
MFQAAUM (Rs bn)	3,109	2,826	10%	2,969	5%
Revenue (Rs mn)	3,350	3,880	-14%	3,890	-14%
Cost to Income Ratio	46%	36%	29%	38%	20%
PAT (Rs mn)	1,780	1,920	-7%	1,850	-4%
<b>Aditya Birla Sun Life Insurance</b>					
	<b>H1FY24</b>	<b>H1FY23</b>	<b>YoY</b>		
Individual APE (Rs mn)	11,890	10,510	13%		
New Business Premium (Rs mn)	33,070	34,220	-3%		
Net VNB (%)	14.2	12.30	1.9ppts		
Opex Ratio (Incl. Commission; %)	20.2	18.8	1.4ppts		
PAT (Rs mn)	350	580	-40%		
<b>Aditya Birla Health Insurance</b>					
Retail Premium (Rs mn)	4,440	4,210	5%	3,650	22%
Group Premium (Rs mn)	3,400	2,190	55%	4,060	-16%
Gross Premium (Rs mn)	7,940	6,400	24%	7,720	3%
Combined Ratio - H1 (%)	119	112	7.0ppts		
Profit Before Tax (Rs mn)	-780	-790	-1%	-620	NM

Source: Company, Emkay Research

**Exhibit 2: We arrive at SOTP-based Sep-24E TP of Rs225/share**

Entity	Metrics	Mar-25	Multiple (x)	Valuation (Rs mn)	Ownership	Value	Rs per share
NBFC	Net worth (Rs mn)	1,86,410	2.0	3,72,821	100%	3,72,821	144
HFC	Net worth (Rs mn)	31,639	1.8	56,950	100%	56,950	22
AMC	MCAP (Rs mn)	1,28,380	1.0	1,28,380	50%	64,203	25
Life Insurance	EV (Rs mn)	1,24,234	1.5	1,86,351	51%	95,039	37
Health Insurance	Deal value (Rs mn)	86,450	1.0	86,450	46%	39,681	15
AB Money	MCAP (Rs mn)	6,160	1.0	6,160	74%	4,558	2
Others		10000	1.0	10,000	50%	5,000	2
<b>Total</b>						<b>6,38,252</b>	<b>246</b>
<b>Holding company discount</b>			<b>25%</b>			<b>52,120</b>	<b>20</b>
<b>Fair value</b>						<b>5,86,132</b>	<b>225</b>
No. of shares (mn)						2,594	
<b>Fair value per share</b>	<b>(Rs/share)</b>						<b>225</b>

Source: Company, Emkay Research; Note: Holding company discount applied on non-wholly-owned subsidiaries only

## Earnings Conference Call Highlights

### Consolidated Business:

- The company is following an omnichannel architecture for distribution, giving customers complete flexibility to choose the channel of interaction. 'Digital first' remains at the core of the company's strategy for product innovation, direct acquisition and seamless transaction experience.

### Lending Business:

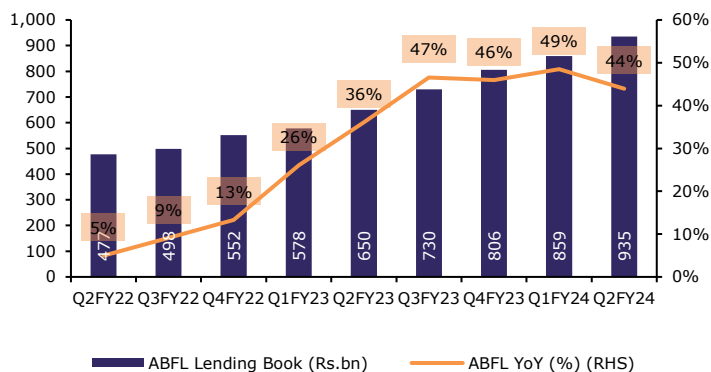
- The UDYOG Plus platform saw more than 164,000 registrations as of Sep-23. The platform offers small-ticket business loans along with various value-added services. The company has integrated the UDYOG Plus platform with several government and private e-commerce websites, to provide various credit facilities to sellers on these platforms. Aditya Birla Finance (ABFL) has also started integrating UDYOG Plus with the Aditya Birla Group (ABG) ecosystem to provide channel financing to dealers. UDYOG plus has reached a monthly run-rate of Rs500mn disbursement, with ABG ecosystem contributing two-thirds of this business.
- ABFL is developing an omnichannel B2C platform with various touchpoints, to acquire customers and provide holistic solutions to existing customers. The management said the company is progressing well on this project and the mobile app is expected to be ready by the next quarter.
- All products contributed to growth, with the business-loan segment contributing to 41% of the disbursement mix, followed by the personal & consumer (P&C) segment at 32%.
- Aditya Birla Housing Finance (ABHFL) remains focused on origination of quality customers, with 96% of the disbursements towards 700-plus CIBIL customers and NTCs.
- Contribution of NHB in ABHFL's borrowing mix inched up, from 16% to 21%, as of Sep-23.
- Finverse—a digital lending platform offering unified interface for all stakeholders including customers, partners, employees and vendors with 95-plus API integrations—has been deployed across all branches.
- The unsecured P&C loan with ticket size less than Rs50,000 and tenure less than 30 days contributes to only 1% of the portfolio, which remains stable.
- Management has started monitoring the Unsecured P&C portfolio closely, and tightened the underwriting standards and scorecards. Initially, all indicators are looking adequate and the management does not have any concerns regarding the small-ticket unsecured P&C portfolio.
- Of the customers on-boarded 9 months ago, 12% have a leverage that is 1.5 times the leverage before being on-boarded. Hence, the management is closely tracking the leverage of such customers.
- The management has started calibrating the growth in the P&C segment by 21% QoQ growth in Q4FY23, 15% QoQ growth during Q1FY24, and 9% QoQ growth during Q2FY24.
- The management said that the underwriting and credit standards across channels are identical and, hence, even though the customer is on-boarded through the digital channel, the underwriting standards remain the same.
- Margin for NBFC business saw a slight dip sequentially, on account of slightly higher cost of funds.
- The management gave guidance that RoA should improve to 3% in the next three years, driven by changes in product mix and improved margins; it targets doubling the loan book every three years.
- In the Developer Finance segment, exposure remains primarily towards the Mumbai, Pune and Bengaluru regions.
- While the management will not miss out on any opportunity in the corporate loan segment, growth will be primarily driven by the retail and SME segments.
- Growth in the loan book was driven by growth in the average ticket size.

**Insurance business**

- The Individual life insurance business saw growth of 13% in H1FY24, higher than the industry growth of ~8%, which was supported by ~19% growth in number of policies.
- Growth in the life insurance business was driven by ~22% growth in the Proprietary channels, whereas the largest banca channel saw degrowth on account of a strategic shift to contribute more to the subsidiary life insurance partner.
- Aditya Birla Sun Life Insurance (ABSLI) on-boarded IDFC Bank as its banca partner and Bank of Maharashtra will be on-boarded during Nov-23.
- Margin expansion in H1FY24 was driven by share of traditional products in the mix and an uptake of protection products and improved productivity.
- The management expects VNB margin to reach 23% by the end of the year. It continues to aim for above-industry growth, backed by both productivity and capacity.
- While the Health Insurance business witnessed slow growth of 23% during H1FY24, the management expects the growth traction to continue post the changes in the channel strategy.
- Combined Ratio for Aditya Birla Health Insurance (ABHI) was higher than previous year's, largely led by seasonality in growth. The management said that the company will continue normalizing the combined ratio in coming quarters.
- While the retail Health loss ratio is trending downward, the corporate loss ratio remains in the quoted range. Management continues to capture the opportunity in the Health Insurance space while remaining profitable.

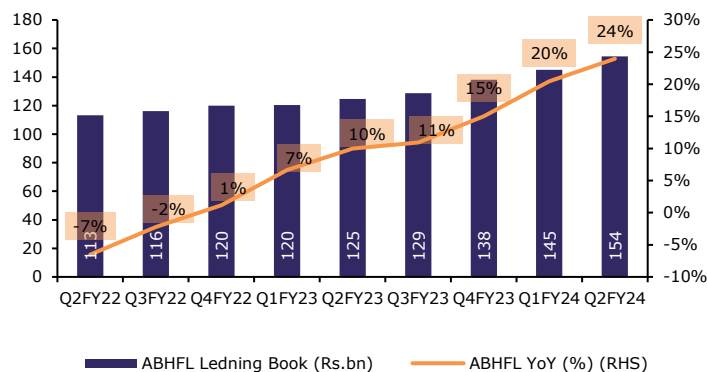
# Story in Charts

**Exhibit 3: ABFL posts a robust Loan Book growth of 44% YoY**



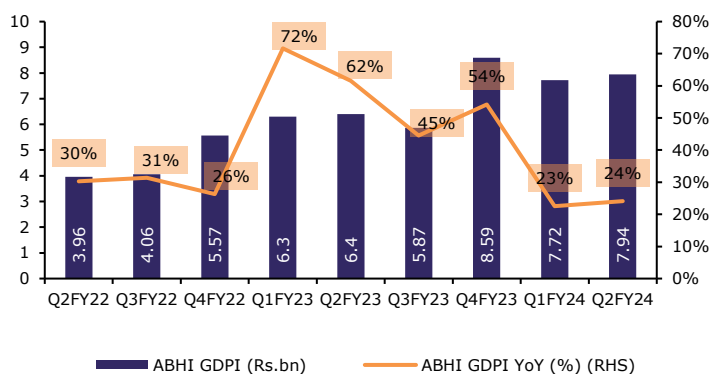
Source: Company, Emkay Research

**Exhibit 4: ABHFL reports a steady loan-book growth of 24% YoY**



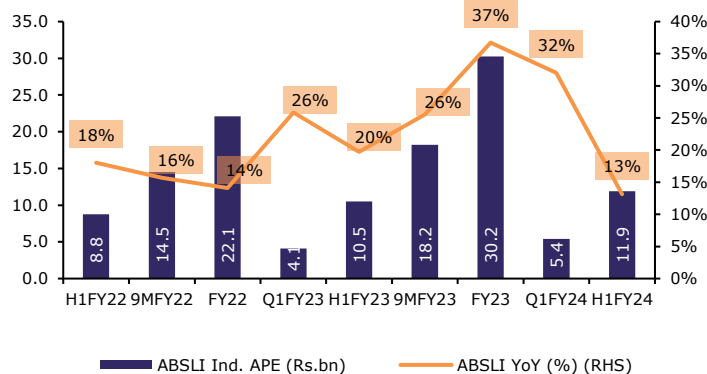
Source: Company, Emkay Research

**Exhibit 5: ABHI's GDPI grows 24% YoY to Rs7.94bn**



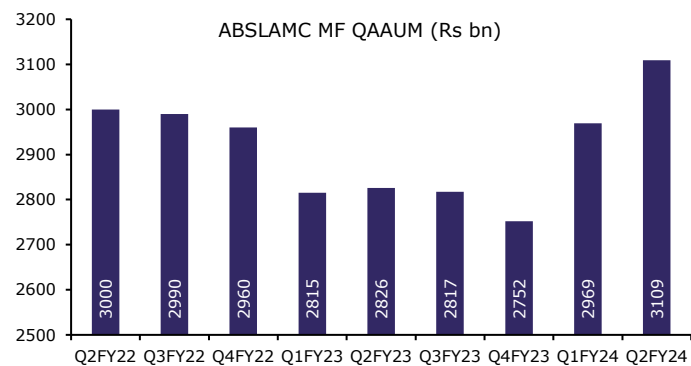
Source: Company, Emkay Research

**Exhibit 6: ABSLI's APE grows to Rs11.9bn during H1FY24**



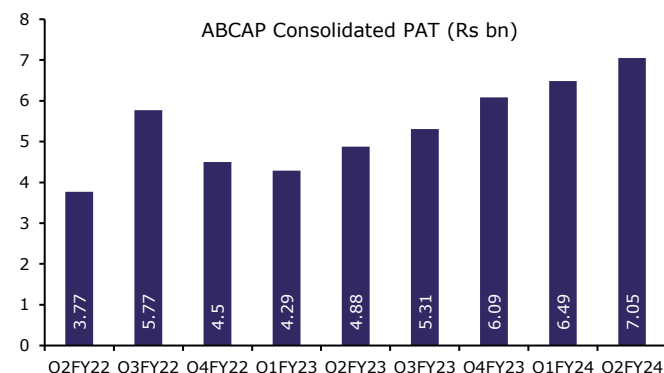
Source: Company, Emkay Research

**Exhibit 7: ABSLAMC reports MFQAAUM growth of 5% QoQ**



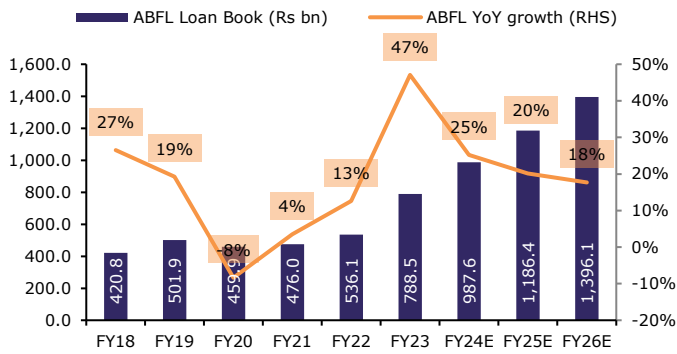
Source: Company, Emkay Research

**Exhibit 8: ABCAP's consolidated PAT grows 44% YoY**



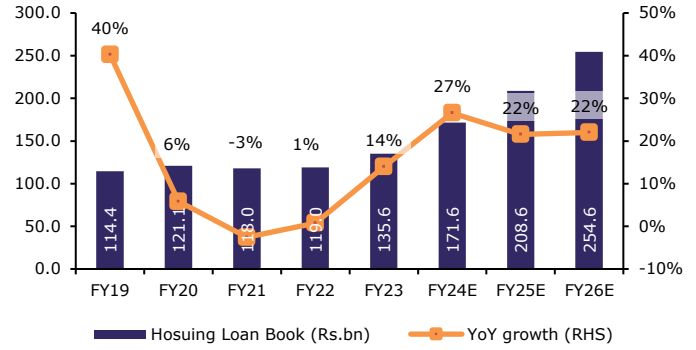
Source: Company, Emkay Research

**Exhibit 9: We expect ABFL's loan book to grow 25% during FY24E**



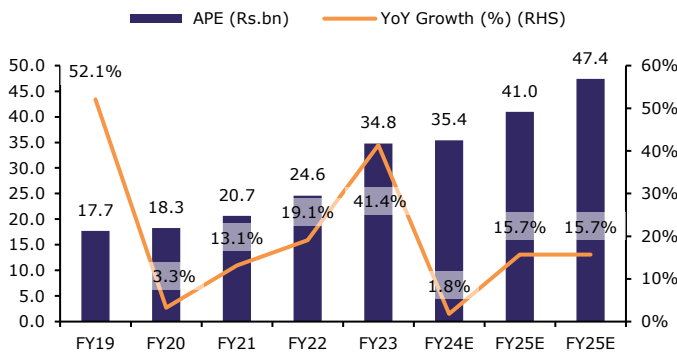
Source: Company, Emkay Research

**Exhibit 10: We expect ABHFL's Loan Book to grow by 27% in FY24E**



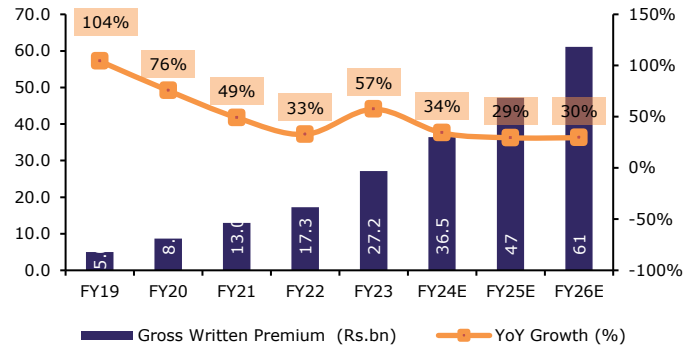
Source: Company, Emkay Research

**Exhibit 11: ABSLI's growth APE is expected to moderate to 1.8% during FY24E**



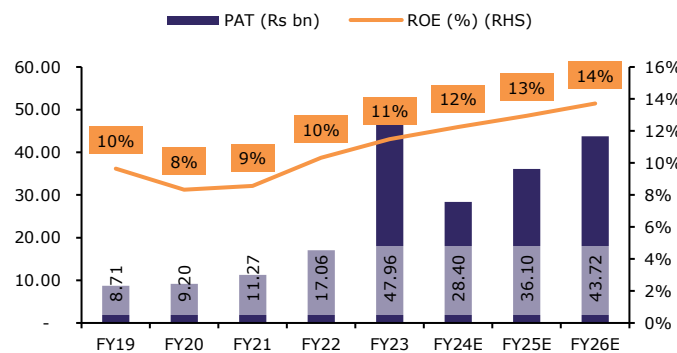
Source: Company, Emkay Research

**Exhibit 12: ABHI's GDPI is expected to grow 34% during FY24E**



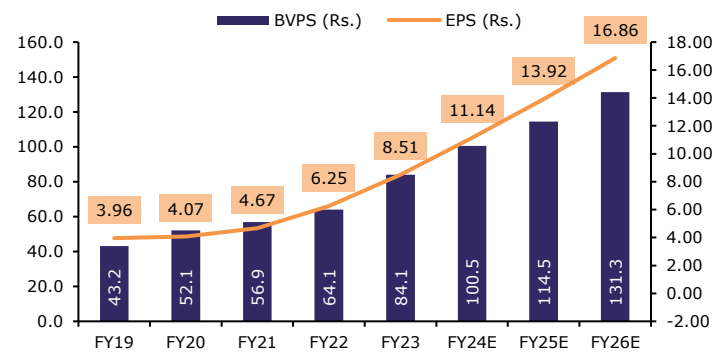
Source: Company, Emkay Research

**Exhibit 13: We expect ABCAP to deliver healthy RoE of 12% by FY24E**



Source: Company, Emkay Research

**Exhibit 14: ABCAP's Consolidated EPS is expected to grow to Rs11.14/share during FY24E**



Source: Company, Emkay Research

## Exhibit 15: ABCAP (Consolidated) – Financial Summary

(Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Profit before tax</b>						
NBFC	10,314	14,871	20,902	30,555	38,976	46,923
Housing Finance	1,764	2,533	3,085	3,916	4,995	6,192
Asset Management	6,959	8,652	7,939	8,260	9,042	9,920
Life Insurance	1,179	1,409	1,538	1,908	2,111	2,585
Health Insurance	-1,977	-3,114	-2,188	-1,919	-115	2,015
General Insurance Broking	707	860	970			
AB Money	224	357	467	350	350	350
Others and Elimination	-3,714	-2,700	23,519	-4,322	-4,712	-5,150
<b>Total PBT</b>	<b>15,457</b>	<b>22,867</b>	<b>56,352</b>	<b>38,749</b>	<b>50,647</b>	<b>62,835</b>
Tax expense	4,400	6,267	8,112	10,462	13,675	16,965
<b>Profit after tax</b>	<b>11,057</b>	<b>16,601</b>	<b>48,241</b>	<b>28,287</b>	<b>36,972</b>	<b>45,869</b>
Minority interest	-209	-459	283	-117	874	2,148
<b>Group Net income</b>	<b>11,265</b>	<b>17,060</b>	<b>47,958</b>	<b>28,405</b>	<b>36,099</b>	<b>43,721</b>
Preference dividend	0	0	0	0	0	0
One-off adjustments		-1,960	-27,391			
<b>Adjusted Group Net Income</b>	<b>11,265</b>	<b>15,100</b>	<b>20,567</b>	<b>28,405</b>	<b>36,099</b>	<b>43,721</b>
<b>Total Assets</b>						
NBFC	5,07,552	5,69,692	8,41,228	10,53,513	12,65,491	14,89,085
Housing Finance	1,23,758	1,25,907	1,40,721	1,78,102	2,16,455	2,64,054
Life Insurance	5,32,595	6,16,673	7,11,886	8,32,834	9,77,157	11,49,351
Asset Management	19,846	24,343	27,766	33,320	39,984	47,980
Health Insurance	13,813	18,181	27,681	32,681	32,682	34,697
Other Businesses & Elimination	50,379	56,599	58,257	67,278	76,463	86,792
<b>Total</b>	<b>12,47,942</b>	<b>14,11,395</b>	<b>18,07,541</b>	<b>21,97,728</b>	<b>26,08,231</b>	<b>30,71,960</b>
<b>Per share (Rs)</b>						
Adjusted EPS (Basic)	4.67	6.25	8.51	11.14	13.92	16.86
Reported EPS (Basic)	4.67	7.06	19.83	11.14	13.92	16.86
BVPS (Rs)	56.90	64.11	84.06	100.54	114.46	131.31

Source: Company, Emkay Research



## Exhibit 16: Aditya Birla Finance – Financial Summary

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Income Statement</b>					
Interest income	55,313	78,060	1,11,678	1,36,091	1,61,517
Interest expense	27,091	38,572	53,966	64,740	76,072
<b>Net interest income</b>	<b>30,758</b>	<b>43,797</b>	<b>63,590</b>	<b>78,513</b>	<b>93,945</b>
Other income	120	308	164	189	218
<b>Total income</b>	<b>30,878</b>	<b>44,105</b>	<b>63,754</b>	<b>78,702</b>	<b>94,163</b>
Employee expense	5,207	7,228	9,035	10,843	13,011
Depreciation	684	861	1,115	1,331	1,539
Other expense	3,581	6,079	7,598	9,118	10,942
<b>Opex</b>	<b>9,472</b>	<b>14,168</b>	<b>17,749</b>	<b>21,291</b>	<b>25,492</b>
<b>Profit before provisions</b>	<b>21,406</b>	<b>29,937</b>	<b>46,005</b>	<b>57,411</b>	<b>68,671</b>
Provisions	6,535	9,035	15,449	18,435	21,748
<b>Profit before tax</b>	<b>14,871</b>	<b>20,902</b>	<b>30,555</b>	<b>38,976</b>	<b>46,923</b>
Tax expense	3,788	5,364	7,639	9,744	11,731
<b>Reported profit attributable to shareholders</b>	<b>11,318</b>	<b>15,610</b>	<b>22,916</b>	<b>29,232</b>	<b>35,192</b>
<b>Balance Sheet</b>					
Shareholders' Equity	98,604	1,14,262	1,57,179	1,86,410	2,21,603
Borrowings	4,59,857	7,07,707	8,66,285	10,49,898	12,35,516
Other liabilities	11,230	19,259	30,049	29,182	31,967
<b>Total equity &amp; liabilities</b>	<b>5,69,692</b>	<b>8,41,228</b>	<b>10,53,513</b>	<b>12,65,491</b>	<b>14,89,085</b>
<b>Assets</b>					
Cash & cash equivalents	6,925	3,876	4,855	5,832	6,864
Investments	16,940	37,027	46,375	55,711	65,561
Loans & advances	5,36,075	7,88,495	9,87,565	11,86,384	13,96,133
Fixed assets	2,217	3,101	3,786	4,429	5,073
Other assets	7,535	8,729	10,932	13,133	15,455
<b>Total Assets</b>	<b>5,69,692</b>	<b>8,41,228</b>	<b>10,53,513</b>	<b>12,65,491</b>	<b>14,89,085</b>
<b>Gross loans</b>	<b>5,46,821</b>	<b>8,04,520</b>	<b>10,06,844</b>	<b>12,09,320</b>	<b>14,23,551</b>
GNPA	19,560	25,070	29,558	34,531	40,993
NNPA	11,831	13,488	15,962	18,646	22,136
<b>Key ratios (%)</b>					
Asset yield	11.4	12.4	13.2	13.2	13.2
Cost of funds	6.2	6.6	6.9	6.8	6.7
Spread	5.2	5.8	6.4	6.4	6.5
Net interest margin	6.1	6.6	7.2	7.2	7.3
Opex % of AAUM)	1.9	2.1	2.0	2.0	2.0
C/I ratio	30.7	32.1	27.8	27.1	27.1
Credit cost	1.29	1.4	1.7	1.7	1.7
RoA	2.18	2.26	2.46	2.57	2.60
RoE	12.1	14.7	16.9	17.0	17.3
Tier I	18.1	13.9	16.7	16.3	16.3
CRAR	21.8	16.4	18.9	18.1	17.9
D/E (x)	4.7	6.2	5.5	5.6	5.6
Leverage (x)	5.8	7.4	6.7	6.8	6.7
<b>Per share (Rs)</b>					
Reported EPS - Basic	16.74	23.47	34.46	43.95	52.91
Reported EPS - Diluted	16.74	23.47	34.46	43.95	52.91
DPS	0.00	0.00	0.00	0.00	0.00
BVPS	148.9	172.6	237.4	281.5	334.7
<b>RoA Tree (%)</b>					
Interest income	10.3	11.1	11.8	5.9	5.9
Interest expense	5.0	5.5	5.7	5.6	5.5
<b>Net interest income</b>	<b>5.7</b>	<b>6.2</b>	<b>6.7</b>	<b>6.8</b>	<b>6.8</b>
Other income	0.0	0.0	0.0	0.0	0.0
<b>Total income</b>	<b>5.7</b>	<b>6.3</b>	<b>6.7</b>	<b>6.8</b>	<b>6.8</b>
Employee expense	1.0	1.0	1.0	0.9	0.9
Depreciation	0.1	0.1	0.1	0.1	0.1
Other expense	0.7	0.9	0.8	0.8	0.8
<b>Opex</b>	<b>1.8</b>	<b>2.0</b>	<b>1.9</b>	<b>1.8</b>	<b>1.9</b>
<b>Profit before provisions</b>	<b>4.0</b>	<b>4.2</b>	<b>4.9</b>	<b>5.0</b>	<b>5.0</b>
Provisions	1.2	1.3	1.6	1.6	1.6
<b>Profit before tax</b>	<b>2.8</b>	<b>3.0</b>	<b>3.2</b>	<b>3.4</b>	<b>3.4</b>
Tax expense	0.7	0.8	0.8	0.8	0.9
<b>Recurring profit after tax</b>	<b>2.06</b>	<b>2.20</b>	<b>2.42</b>	<b>2.52</b>	<b>2.56</b>

Source: Company, Emkay Research

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## Exhibit 17: Aditya Birla Housing Finance – Financial Summary

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Income Statement</b>					
Interest income	11,857	13,640	16,956	21,006	25,607
Interest expense	6,949	7,484	9,305	11,526	14,160
<b>Net interest income</b>	<b>5,202</b>	<b>6,569</b>	<b>8,147</b>	<b>10,072</b>	<b>12,155</b>
Other income	11	22	30	30	30
<b>Total income</b>	<b>5,213</b>	<b>6,591</b>	<b>8,177</b>	<b>10,102</b>	<b>12,185</b>
Employee expense	1,317	1,790	2,148	2,535	2,991
Other expense	516	833	916	1,008	1,109
<b>Opex</b>	<b>1,934</b>	<b>2,782</b>	<b>3,262</b>	<b>3,776</b>	<b>4,372</b>
<b>Profit before provisions</b>	<b>3,280</b>	<b>3,809</b>	<b>4,914</b>	<b>6,326</b>	<b>7,813</b>
Provisions	747	724	998	1,331	1,621
<b>Profit before tax</b>	<b>2,533</b>	<b>3,085</b>	<b>3,916</b>	<b>4,995</b>	<b>6,192</b>
Tax expense	560	676	858	1,094	1,357
<b>Recurring profit after tax</b>	<b>1,973</b>	<b>2,409</b>	<b>3,058</b>	<b>3,901</b>	<b>4,835</b>
Other Comprehensive Income	45	54	0	0	0
<b>Profit attributable to equity shareholders</b>	<b>2,018</b>	<b>2,464</b>	<b>3,058</b>	<b>3,901</b>	<b>4,835</b>
<b>Balance Sheet</b>					
Shareholders' Equity	17,210	19,680	27,738	31,639	36,474
Borrowings	1,07,152	1,19,372	1,49,248	1,82,974	2,25,178
Other liabilities	1,545	1,669	1,115	1,842	2,402
<b>Total equity &amp; liabilities</b>	<b>1,25,907</b>	<b>1,40,721</b>	<b>1,78,102</b>	<b>2,16,455</b>	<b>2,64,054</b>
<b>Assets</b>					
Cash & cash equivalents	5,570	2,047	2,592	3,151	3,844
Loans & advances	1,18,955	1,35,570	1,71,631	2,08,631	2,54,559
Fixed assets	337	721	861	1,005	1,175
Other assets	1,045	2,384	3,018	3,668	4,476
<b>Total Assets</b>	<b>1,25,907</b>	<b>1,40,721</b>	<b>1,78,102</b>	<b>2,16,455</b>	<b>2,64,054</b>
<b>Key ratios (%)</b>					
Loan yield	10.3	11.0	11.4	11.4	11.4
Cost of funds	6.5	6.6	6.9	6.9	6.9
Spread	3.8	4.4	4.4	4.4	4.4
Net interest margin	4.4	5.2	5.3	5.3	5.2
C/I ratio	37.1	42.2	39.9	37.4	35.9
Credit cost	0.63	0.57	0.65	0.70	0.70
RoA (normalized)	1.67	1.89	1.99	2.05	2.09
RoE (normalized)	12.18	13.06	12.90	13.14	14.20
<b>Asset Quality</b>					
GNPA	3.6	3.2	3.4	3.3	3.3
NNPA	2.7	2.2	2.7	2.7	2.7
<b>Capital adequacy</b>					
Tier 1 Ratio	19.4	19.9	22.3	20.0	19.1
CRAR	23.9	23.8	25.4	22.3	21.0
D/E (x)	6.2	6.1	5.4	5.8	6.2
Leverage (x)	7.3	7.2	6.4	6.8	7.2
<b>RoA Tree (%)</b>					
Interest income	9.5	10.2	10.6	10.6	10.7
Interest expense	5.6	5.6	5.8	5.8	5.9
<b>Net interest income</b>	<b>4.2</b>	<b>4.9</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>
Other income	0.0	0.0	0.0	0.0	0.0
<b>Total income</b>	<b>4.2</b>	<b>4.9</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>
Employee expense	1.1	1.3	1.3	1.3	1.2
Depreciation	0.1	0.1	0.1	0.1	0.1
Other expense	0.4	0.6	0.6	0.5	0.5
Opex	1.5	2.1	2.0	1.9	1.8
Profit before provisions	2.6	2.9	3.1	3.2	3.3
Provisions	0.6	0.5	0.6	0.7	0.7
<b>Profit before tax</b>	<b>2.0</b>	<b>2.3</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>
Tax expense	0.4	0.5	0.5	0.6	0.6
<b>RoA</b>	<b>1.6</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>2.0</b>

Source: Company, Emkay Research

**Exhibit 18: Aditya Birla Sun Life AMC – Financial Summary**

(Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Income Statement</b>					
<b>Fund management &amp; advisory fee</b>	<b>12,635</b>	<b>12,266</b>	<b>11,775</b>	<b>12,749</b>	<b>13,823</b>
Investment & other income	1,156	1,271	1,336	1,603	1,923
<b>Total income</b>	<b>13,790</b>	<b>13,537</b>	<b>13,111</b>	<b>14,352</b>	<b>15,746</b>
<b>Total expense</b>	<b>5,138</b>	<b>5,598</b>	<b>4,851</b>	<b>5,310</b>	<b>5,826</b>
<b>Profit before tax</b>	<b>8,652</b>	<b>7,939</b>	<b>8,260</b>	<b>9,042</b>	<b>9,920</b>
Tax expense	2,219	1,975	2,055	2,249	2,468
<b>Profit after tax</b>	<b>6,433</b>	<b>5,964</b>	<b>6,205</b>	<b>6,792</b>	<b>7,452</b>
<b>Balance Sheet</b>					
Shareholders' Equity	22,006	25,090	29,058	33,403	38,169
<b>Total Assets</b>	<b>24,343</b>	<b>27,766</b>	<b>33,320</b>	<b>39,984</b>	<b>47,980</b>
MF QAAUM	29,58,050	27,52,040	30,58,755	34,03,283	37,95,503
- o/w Equity AAUM	11,10,313	8,76,040	10,07,446	11,28,340	12,63,740
Total QAAUM	30,74,090	28,61,800	31,76,894	35,33,236	39,38,451
<b>Key ratios (%)</b>					
<b>Profitability</b>					
Fee yield	0.43	0.41	0.39	0.38	0.37
C/I ratio	37.3	41.4	37.0	37.0	37.0
PAT/QAAUM	0.22	0.20	0.21	0.20	0.20
RoE (normalized)	32.9	25.3	22.9	21.7	20.8

Source: Company, Emkay Research

**Exhibit 19: Aditya Birla Sun Life Insurance – Financial Summary**

Y/E March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Policyholders' account</b>					
Gross written premium	1,21,402	1,50,697	1,70,662	2,03,177	2,41,952
Net earned premium	1,16,415	1,45,395	1,65,542	1,97,081	2,34,693
Investment income	53,020	34,576	61,732	72,686	85,760
Other income	1,291	3,409	3,882	4,621	5,503
Total revenue	1,70,725	1,83,380	2,31,156	2,74,389	3,25,956
Commission expense	5,962	8,436	9,605	11,435	13,617
Operating expenses	15,209	20,965	22,348	26,606	31,684
Benefits cost	1,47,115	1,49,317	1,93,771	2,30,078	2,73,190
Total expense	1,69,969	1,80,451	2,27,698	2,70,469	3,21,289
Surplus/Deficit	756	2,929	3,458	3,920	4,668
<b>Shareholders' account</b>					
Transfer from policyholders' account	756	2,929	3,458	3,920	4,668
Investment income	2,122	2,389	2,608	2,765	2,948
Expenses	1,468	3,780	4,158	4,573	5,031
Profit before tax	1,409	1,538	1,908	2,111	2,585
Tax expense	141	154	190	211	258
<b>Profit after tax</b>	<b>1,268</b>	<b>1,385</b>	<b>1,718</b>	<b>1,900</b>	<b>2,327</b>
<b>Balance Sheet</b>					
<b>Sources of Funds</b>					
Shareholders' Funds	25,486	29,261	30,979	32,880	35,206
Policyholders' Funds: Insurance reserves and provisions	5,91,187	6,77,645	7,96,875	9,39,297	11,09,164
<b>Total</b>	<b>6,16,673</b>	<b>7,11,886</b>	<b>8,32,834</b>	<b>9,77,157</b>	<b>11,49,351</b>
<b>Application of Funds</b>					
Shareholders' Investments	29,215	32,981	34,917	37,059	39,682
Policyholders' Investments	2,77,141	3,62,456	4,26,229	5,02,408	5,93,266
Assets Held to Cover Linked Liabilities	3,01,602	3,05,074	3,58,751	4,22,869	4,99,343
Other Asset	8,716	11,375	12,936	14,821	17,060
<b>Total</b>	<b>6,16,673</b>	<b>7,11,886</b>	<b>8,32,834</b>	<b>9,77,157</b>	<b>11,49,351</b>
<b>Embedded Value Account</b>					
Embedded Value	76,090	90,140	1,06,036	1,24,234	1,45,393
Annualised Premium Equivalent (APE)	24,600	34,783	35,412	40,965	47,399
New Business value	3,690	8,000	7,082	8,193	9,480
New Business Margin (%)	15.0	23.0	20.0	20.0	20.0
EV Operating Profit	9,950	17,200	15,896	18,198	21,159
Operating RoEV (%)	15.4	22.6	17.6	17.2	17.0
<b>Key Ratio</b>					
Return on Equity (%)	5.1	5.1	5.7	6.0	6.8
Commission expense/TWRP (%)	6.5	7.6	7.7	7.7	7.7
Operating expenses/TWRP (%)	16.5	18.9	17.9	18.0	18.0
Total expense (% of TWRP)	23.0	26.5	25.6	25.7	25.8
Total expense (% of Avg AUM)	3.73	4.49	4.20	4.27	4.33
Conservation ratio (%)	89.1	83.4	82.1	87.5	88.5

Source: Company, Emkay Research

**Exhibit 20: Aditya Birla Health Insurance – Financial Summary**

<b>Policyholder Account (Y/E Mar, Rs mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Gross Direct Premium (GDPI)	17,267	27,170	36,471	47,217	61,147
Gross Written Premium (GWP)	17,267	27,170	36,471	47,217	61,147
Net Written Premium (NWP)	13,481	21,212	32,277	42,495	55,032
Net Earned Premium (NEP)	11,893	18,378	26,745	37,386	48,764
Net incurred claims	8,273	11,886	18,186	25,049	32,184
Net commission expense	191	1,435	1,614	2,125	2,752
Operating expense	7,461	8,701	11,943	14,448	17,060
Total Expense	3,574	6,231	8,684	11,206	15,925
<b>Underwriting result</b>	<b>(2054)</b>	<b>(2749)</b>	<b>(2830)</b>	<b>(2734)</b>	<b>(4032)</b>
Investment income	707	1,101	2,328	3,161	4,228
Insurance result	-1,347	-1,647	-502	427	196
<b>Operating profit</b>	<b>-3,325</b>	<b>873</b>	<b>-2,670</b>	<b>-1,075</b>	<b>996</b>
<b>Shareholder Account</b>					
<b>(Y/E Mar, Rs mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Operating profit</b>	<b>-3,325</b>	<b>873</b>	<b>-2,670</b>	<b>-1,075</b>	<b>996</b>
Investment income	235	435	782	990	1,050
Other income					
Expenses and provisions	25	3,497	30	30	30
Profit before tax	-3,114	-2,188	-1,919	-115	2,015
Tax expense	0	0	0	0	0
<b>Profit after Tax</b>	<b>-3,114</b>	<b>-2,188</b>	<b>-1,919</b>	<b>-115</b>	<b>2,015</b>
<b>Balance Sheet</b>					
<b>(Y/E Mar, Rs mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Source of Funds</b>					
Shareholders fund	18,180	27,677	32,677	32,677	34,692
Fair value gains	0	4	5	5	5
Net worth including fair value gains	18,180	27,681	32,681	32,682	34,697
Borrowings					
<b>Total</b>	<b>18,180</b>	<b>27,681</b>	<b>32,681</b>	<b>32,682</b>	<b>34,697</b>
<b>Application of Funds</b>					
Investments					
Shareholders	3,446	7,995	14,050	13,947	15,761
Policyholders	11,794	21,548	29,073	40,055	52,782
Other Assets	1,170	1,435	1,478	1,508	1,538
Cash & Bank Balances	534	170	186	205	226
Other current assets	1,354	2,621	3,014	3,466	3,985
Net Current Assets	-11,188	-18,444	-28,985	-40,008	-52,563
Accumulated losses	12,959	15,147	17,065	17,180	17,180
<b>Total</b>	<b>18,181</b>	<b>27,681</b>	<b>32,681</b>	<b>32,682</b>	<b>34,697</b>
<b>Key ratios</b>					
<b>(Y/E Mar, %)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Retention ratio</b>	<b>78.1</b>	<b>78.1</b>	<b>88.5</b>	<b>90.0</b>	<b>90.0</b>
Incurred claims ratio	69.6	64.7	68.0	67.0	66.0
Net commission ratio	1.4	6.8	5.0	5.0	5.0
Expense ratio	55.3	41.0	37.0	34.0	31.0
Combined ratio	126.3	112.5	110.0	106.0	102.0
GWP/Net worth	0.9	1.0	1.1	1.4	1.8
NWP/Net worth	0.7	0.8	1.0	1.3	1.6
Return on Equity	-19.5	-9.5	-6.4	-0.4	6.0

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
03-Aug-23	193	225	Buy	Avinash Singh
12-May-23	163	200	Buy	Avinash Singh
06-Mar-23	156	200	Buy	Avinash Singh

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Bloomberg, Company, Emkay Research

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com



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